Inland Revenue

Thinking of working for yourself?

the right way to start your business

STARTING UP IN business

P/SE/1

STARTING UP IN business

Thinking of working for yourself?

Cut through the red tape and find out how easy it is to get things right from the start. This leaflet tells you about the first steps you need to take when you start working for yourself.

Where do I start?

If you're thinking about becoming self-employed, call our Helpline for the Newly Self-Employed on **08459 15 45 15** and ask for a free copy of our *Starting up in business* video, which explains the things you'll need to consider when you start. Lines are open from 8am to 8pm, seven days a week, and calls are charged at local rates.

When you do start working for yourself, you will normally need to let us know and register as self-employed.

Do I need to register with the Inland Revenue?

Yes. If you start working for yourself, you **must** register with the Inland Revenue as self-employed, even if you already send in a tax return.

There are some exceptions and special rules for particular industries, like the construction industry. If you're not sure whether you need to register as self-employed, read our leaflet IR56 *Employed or self-employed?* which you can get from your local Inland Revenue office or by phoning the Self Assessment Orderline on **0845 9000 404**.

How do I register?

You can register by calling the Helpline for the Newly Self-Employed on 08459 15 45 15, or by returning the form at the back of this leaflet. Even if you're registering by phone, it's still useful to have a look at the form before you ring so you know what kind of information you'll need to provide.

It will always help if you can quote your National Insurance number and any tax reference when you call the Helpline.

When should I register?

As soon as you start working for yourself.

If you fail to register within the first three full months of self-employment, you may be liable to a penalty of £100. And if you don't register and aren't paying tax, you will be breaking the law and could be liable to further penalties.

What happens when I register?

When you register, we will send you an easy-to-follow *Starting up in business* guide.

Once you've registered as self-employed, we will arrange for you to start paying self-employed flat rate (Class 2) National Insurance (NI) contributions.

How do I pay my tax?

In the April after your business starts, we will send you a Self Assessment tax return to fill in. We will also use the return to assess any profit-related (Class 4) NI contributions you may need to pay.

What if I need more help?

You can still call the Helpline for advice and information once your business is up and running. We can also arrange for someone to call you on certain dates during your first year in business, or for an adviser from one of our local Business Support Teams to see you. Our Business Support Teams can give you practical advice on record-keeping, filling in and filing your tax return and what to do when you take someone on. They also run local workshops specifically for people starting self-employment. These services are all free of charge.

The *Starting up in business* guide covers

- **getting your new business off to a good start**
- **tips on keeping records**
- **the basics of income tax, National Insurance and VAT**
- **tax credits and allowances you may be entitled to**
- **how to get further help**

The guide is also available on our website at ***www.inlandrevenue.gov.uk/startingup***

What if I want to take someone on?

For advice on what you need to do when you take on employees, contact the New Employer's Helpline on **0845 607 0143**. Lines are open Monday to Friday 8am to 8pm and weekends 8am to 5pm. Calls are charged at local rates.

I work in the construction industry - is there anything else I need to do?

There are special rules for people who work within the construction industry and may be self-employed. You may need to register with the Construction Industry Scheme and be issued with either a Subcontractors Tax Certificate or a Registration Card. Contact your local Inland Revenue Office or call the Subcontractors' Helpline on **0845 300 0581** for more information.

How do I keep my NI contributions up to date?

The *Starting up in business* guide tells you all about self-employed Class 2 and 4 NI contributions. You should fill in the form at the back of this leaflet to arrange payment of Class 2 NI contributions by direct debit. For tax years 2000/01 and 2001/02, Class 2 NI contributions are £2 per week.

If your income from self-employment is low (below £3,825 in the tax year 2000/01), you may be able to apply for the Small Earnings Exception. Also, if you're already paying NI contributions in another job, you may be able to defer paying your Class 2 contributions until the end of the tax year. The Helpline can give you more advice.

Does registering as self-employed mean I'm registered for VAT as well?

No. You don't usually need to register for VAT until your turnover reaches a certain limit in any 12 months, or you expect it to do so. This limit - the 'VAT threshold' - is currently £52,000. Your annual turnover is normally the total amount of money coming into your business from the goods or services you sell.

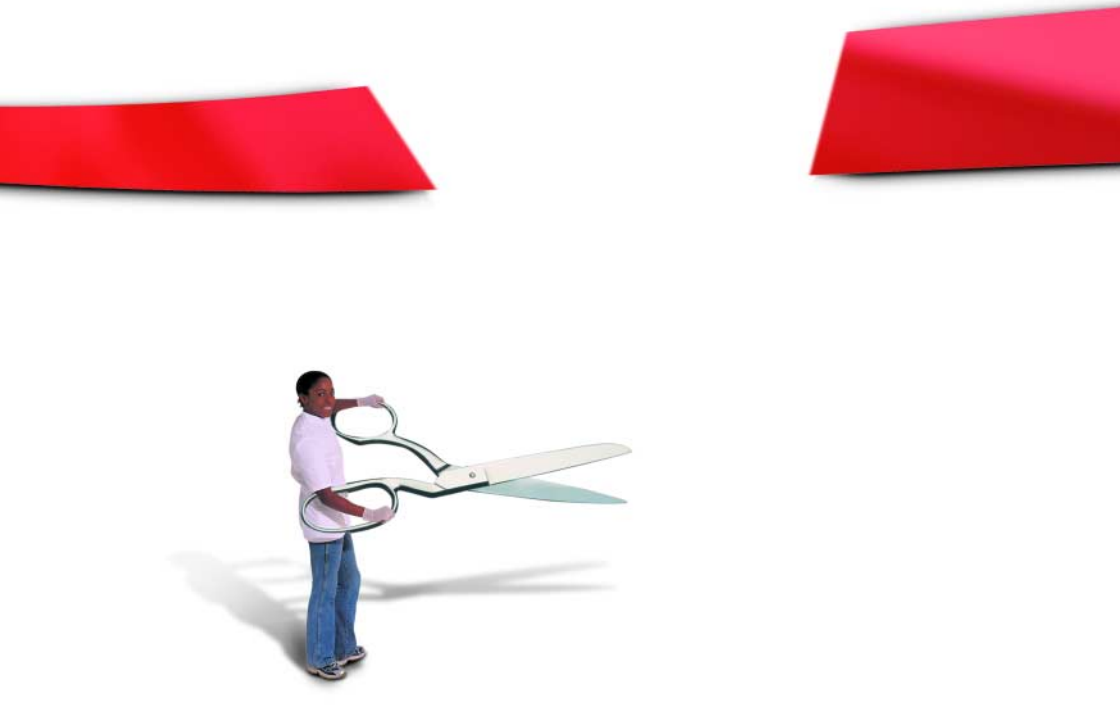
The *Starting up in business* guide covers VAT in more detail and tells you where to get more advice.

What's in it for me?

Registering as self-employed gives you full access to all the advice and support that the Inland Revenue offers when you start up in business for yourself.

We'll also help you make sure you pay the right NI contributions, so that you don't lose any future entitlement to benefits or the state retirement pension.

Keeping the right records and paying the right tax and NI contributions when you are self-employed might not be as complicated as you think. Let the Helpline for the Newly Self-Employed help you cut through the red tape.



To register, call the Helpline for the Newly Self-Employed

08459 15 45 15

Lines are open 8am to 8pm, seven days a week.

To speak to someone in Welsh, call **08457 660 830**. Lines are open from 8.30am to 5pm Monday to Thursday, and 8.30am to 4.30pm Friday.

Minicom users should call **08459 153 296**. Lines are open 24 hours a day, seven days a week.

All calls are charged at local rates

These notes are for guidance only and reflect the tax and NI contributions position at the time of writing. They do not affect any right of appeal.

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Inland Revenue

National Insurance contributions

Application to pay Class 2 contributions by Direct Debit

Please fill in the **whole form** and return to
National Insurance Contributions Office
Self Employment Services
Application Processing Centre
Longbenton
Newcastle upon Tyne
NE98 1ZZ

Mr, Mrs, Ms, Miss or other title

First names

Surname

Your date of birth (in figures)

Day *Month* *Year*

National Insurance number

Letters *Numbers* *Numbers* *Numbers* *Letter*

Date self-employment started

Day *Month* *Year*

Would you like us to collect contributions due from the start of your self-employment with the first Direct Debit payment?

√ ☐ Yes ☐ No

Address

Postcode

Daytime telephone number (including the STD code)

Inland Revenue

Instruction to your Bank or Building Society to pay by Direct Debit

DIRECT Debit

Name(s) of account holder(s)

Bank/Building Society account number

Branch Sort Code

Name and full postal address of your Bank or Building Society

To: The Manager — Bank/Building Society

Address

Postcode

Originator's Identification Number

9	9	1	1	3	3

Reference Number (National Insurance number)

Letters *Numbers* *Numbers* *Numbers* *Letter*

Instruction to your Bank or Building Society
Please pay the Inland Revenue National Insurance Contributions Office Direct Debits from the account detailed in this instruction subject to the safeguards assured by The Direct Debit Guarantee. I understand that this Instruction may remain with the Inland Revenue National Insurance Contributions Office and, if so, details will be passed electronically to my Bank/Building Society.

Signature(s)

Date

Some Banks or Building Societies may not accept Direct Debit Instructions for some types of account

CA5601

About Direct Debit

How to apply to pay by Direct Debit

Fill in the application form overleaf and send it to:

National Insurance Contributions Office
Self-Employment Services
Application Processing Centre
Longbenton
Newcastle upon Tyne
NE98 1ZZ.

We regret that the facility to pay by Direct Debit is not available to share fishermen. Our leaflet **CA11** *National Insurance for share fishermen* gives more information.

How will payments be made?

The application form asks you if you wish to pay by Direct Debit from the start of your self-employment. In most cases this means that all contributions due from the start of your self-employment will be collected with the first payment from your Bank or Building Society.

If you do not wish to pay by Direct Debit from the start of your self-employment or we cannot arrange this, your Direct Debit will be started from a current date. We will then send you a separate bill for any contributions due from the start of your self-employment to the date your Direct Debit begins.

Although we act at once to set up your Direct Debit, it may take some weeks before the first National Insurance contributions are collected from your account. We will write to tell you when the first payment will be made. Please ensure that you have enough funds in your account to meet your first payment.

After that, payments:

- will be made automatically for as long as you wish

and

- will normally be deducted from your account on the second Friday of each month

These payments will cover National Insurance contributions for either four or five weeks, depending on the number of Sundays in the preceding tax month. The tax month ends on the 5th of each month.

A regular check of your Bank/Building Society statements will reassure you that payments have been made correctly.

Direct Debit Application

The Direct Debit Guarantee

DIRECT Debit

This guarantee is offered by all Banks and Building Societies that take part in the Direct Debit Scheme. The efficiency and security of the Scheme is monitored and protected by your own Bank or Building Society.

If the amounts to be paid or the payment dates change, the Inland Revenue National Insurance Contributions Office will notify you 10 working days in advance of your account being debited or as otherwise agreed.

If an error is made by the Inland Revenue National Insurance Contributions Office or your Bank or Building Society, you are guaranteed a full and immediate refund from your branch of the amount paid.

You can cancel a Direct Debit at any time by writing to your Bank or Building Society. Please also send a copy of your letter to us.

Inland Revenue

HM Customs & Excise

STARTING UP IN business

Becoming self-employed and registering for Class 2 National Insurance contributions

You must let us know as soon as possible that you have started working in business as a self-employed person.

The easiest way is to call the Helpline for the Newly Self-Employed on **08459 15 45 15**. Check this form first for the details you will need to give to the operator.

Or you can

- fill this form in and post it to

  National Insurance Contributions Office
  Longbenton
  Newcastle upon Tyne
  NE98 1ZZ, or

- take it to any Inland Revenue office.

We may need to contact you to ask for a few more details about you and the business.

When you have registered, we will arrange for a *Starting up in business* guide to be sent to you. The guide is also available on our website at **www.inlandrevenue.gov.uk/startingup**

☐ √ Please tick if you do not want us to send you a paper copy of the guide.

If you are going to do all your work for one person or firm, you may be an employee. Our leaflet **IR56** *Employed or self-employed?* will tell you more about this. You can get a copy from

- your local Inland Revenue office, or
- the Self Assessment orderline on **0845 9000 404**.

If you delay telling us about your business for three months or more you may have to pay a penalty of £100.

(Use CAPITALS)

Yourself

Mr, Mrs, Ms, Miss or other title

First names

Surname

Your National Insurance number

Letters *Numbers* *Numbers* *Numbers* *Letter*

Your date of birth (in figures)

Day *Month* *Year*

Address

Postcode

Your home phone/mobile number

Your tax reference number (if known) from correspondence with your last Inland Revenue office.

Previously employed – this will be the employer reference shown on your PAYE end of year form P60.

Previously in business – this will be the reference shown in the top left hand corner on the front of your Self Assessment Return.

Your business

When did you start in business or when will you start?

Day | Month | Year

What is your business name and address?
(if different from your personal details)

Full name

Address

Postcode

Your business phone/mobile number

Your business fax number *(if you have one)*

Your business e-mail address *(optional)*

What is your position in the business? For example, owner, partner.

If you have business partners they also must register as individuals for Class 2 National Insurance contributions.

What sort of self-employed work do you do/will you do?

If you intend working as a subcontractor in the construction industry you must have an Inland Revenue registration card to get paid. Contact any Inland Revenue office immediately.

How to pay your Class 2 NI contributions

For tax years 2000/01 and 2001/02 self-employed National Insurance contributions are £2 per week.

To arrange payment of your National Insurance contributions just fill in the Direct Debit mandate attached.

☐ √ If you are unable to pay by Direct Debit tick this box and we will send you more information about other ways to pay Class 2 National Insurance contributions.

You may not have to pay National Insurance contributions if you expect your income from the business to be below the Small Earnings Exception (SEE). For the tax year 6 April 2000 to 5 April 2001 this figure is £3,825. Tick the box below if you would like more information on this.

☐ √ Please send me more information about SEE.

Employing someone else

If you are thinking of taking someone on, or already employ someone else, please phone the New Employer's Helpline on **0845 607 0143**. Or tick the box for more information.

☐ √ Please send me more information about employing someone else.

More about VAT

Please read the note about VAT in the attached leaflet. If you think you may have to register for VAT tick the box below.

☐ √ I think I may have to register for VAT.

Signed

Date (in figures) Day | Month | Year